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CONSTRUCTION LOANS – LONGEST DECLINE IN HISTORY

The first home lending update for the new financial year saw loans for construction still stuck in the longest down cycle in the history of the series.

The total number of loans for owner occupiers was down by 4.1 per cent in July to 63,599. Lending for the purchase of new dwellings fell by 1.3 per cent while lending for established dwellings was off by 4.3 per cent. Lending for construction dipped by 3.3 per cent to a level 3.6 per cent lower than a year earlier.

Australia's peak housing body, HIA, said that changes to superannuation laws had boosted June finance and then pulled down July, but the overall weakness in lending was more deep-seated than that.

HIA's Chief Economist, Mr Harley Dale, said that with or without the impact of the superannuation situation the July housing finance update was far from super.

"We have never seen weakness in lending for construction last this long. We're talking over five and half years of down turn now. That compares to the next worst case back in the late 1980's/early 1990's which lasted just over four years," Mr Dale said.

HIA has for some time expressed concern that the supply of new housing is not keeping up with demand and that unless action is taken Australia's homeless rate will sky rocket.

"Record low housing affordability is preventing a recovery in construction and is the reason why first home buyer numbers are bouncing around an essentially flat trend," Mr Dale said.

"Meanwhile lending for construction of investment properties is 10 per cent lower over the three months to July when compared to the same period last year, confirming further deterioration to come in rental market conditions."

On a state by state basis, the total number of seasonally adjusted loans was down everywhere in July except the Northern Territory. The number of loans fell by 6.9 per cent in South Australia and was down by 6 per cent in Victoria, 4 per cent in Queensland, 2.9 per cent in Western Australia, 2.5 per cent in New South Wales, 1.7 per cent in Tasmania, and 1.3 per cent in the Australian Capital Territory. Total lending increased by 0.6 per cent in the Northern Territory.

Further Information

Harley Dale, HIA Chief Economist on 0414 994 186